SAN LEANDRO UNIFIED SCHOOL DISTRICT

July 1, 2011 Actuarial Valuation of
Other Postemployment Benefits (OPEB)
Under GASB Statement No. 45
For Fiscal Years Ending 2012 and 2013

December 19, 2011

VAN IWAARDEN

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Introduction and Actuarial Certification

San Leandro Unified School District (the District) has hired Van Iwaarden Associates to perform an actuarial valuation of the District's Other Postemployment Benefits (OPEB). The 'Other' refers to postemployment benefits other than pensions. Accounting for OPEB is now required under Government Accounting Standards Board Statement No. 45 (GASB 45).

This valuation has been prepared to present information for financial reporting purposes. It is important to recognize that calculations performed for other purposes may yield significantly different results.

In conducting the valuation, we have used the following information as of July 1, 2011:

- the provisions of the substantive OPEB for the medical plan
- census data
- premium and claims information

All premium and census data were provided by the District. The premiums and census data used were reviewed and considered to be reasonable, but not formally audited.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices.

In our opinion, the actuarial assumptions represent reasonable expectations of anticipated plan experience. To fulfill the applicable accounting requirements, each actuarial assumption should be the District's best estimate solely with respect to that individual assumption.

The undersigned actuary is a consulting actuary for Van Iwaarden Associates, a member of the American Academy of Actuaries and meets the Qualification Standards of the Academy to render the actuarial opinion contained herein. I am available to answer questions on the material contained in the report or to provide explanations or further detail, as may be appropriate. I am not aware of any material direct or indirect financial interest or relationship that could create a conflict of interest or impair the objectivity of our work.

Christopher L. Grabrian

Christopher L. Grabrian, ASA, EA, MAAA
Consulting Actuary

December 19, 2011
L/D/C/R: 4/jp/cg/ms

Summary of Results

		FYE 2008		FYE 2012
A. Participants as of July 1				
1. Actives with coverage[1]		55		33
2. Actives waiving coverage[1]		N/A		42
3. Retirees		224		200
4. Total		279		275
B. Funded Status as of July 1				
1. Actuarial Accrued Liability	$	7,533,000	$	6,585,557
2. Market value of assets		0		0
3. Unfunded Actuarial Accrued Liability (1. - 2.)		7,533,000		6,585,557
4. Covered payroll		47,500,000		51,062,142
5. Unfunded Actuarial Accrued Liability as a percentage of payroll		15.9%		12.9%
C. Annual Required Contribution and Annual OPEB Cost				
1. Annual Required Contribution	$	826,000	$	681,371
2. Annual OPEB Cost		826,000		661,780
D. Reconciliation of Net OPEB Obligation				
1. Net OPEB Obligation as of beginning of fiscal year	$	0	$	325,726
2. Annual OPEB Cost		826,000		661,780
3. Estimated employer contributions		714,000		564,920
4. Net OPEB Obligation as of end of fiscal year (1. + 2. - 3.)	$	112,000	$	422,586
E. Effect of 1% Increase in Discount Rate (Expected Asset Return)				
1. Percent change in Actuarial Accrued Liability		N/A		-7.9%
2. Percent change in Annual OPEB Cost		N/A		-2.3%

(1) Actives include employees who have the possibility of meeting the eligibility requirements for a District premium subsidy.

Benefit Obligations, Assets and Funded Status

		7/1/2007		7/1/2011
A. Benefit Obligations				
1. Present value of benefits paid by employer		N/A		6,679,829
2. Present value of obligation attributed to future service		N/A		94,272
3. Actuarial Accrued Liability (1. - 2.)	$	7,533,000	$	6,585,557
B. Actuarial Value of Assets	$	0	$	0
C. Funded Status				
1. Actuarial Accrued Liability	$	7,533,000	$	6,585,557
2. Actuarial Value of Assets		0		0
3. Unfunded Actuarial Accrued Liability	$	7,533,000	$	6,585,557

Actuarial Accrued Liability

	7/1/2007	7/1/2011
A. By Status and Coverage Period		
1. Actives		
a. Coverage before 65	$ 171,000	$ 229,206
b. Coverage after 65	388,000	432,764
c. Total	$ 559,000	$ 661,970
2. Retirees		
a. Coverage before 65	463,000	234,993
b. Coverage after 65	6,511,000	5,688,594
c. Total	$ 6,974,000	$ 5,923,587
3. All participants		
a. Coverage before 65	$ 634,000	$ 464,199
b. Coverage after 65	6,899,000	6,121,358
c. Total	$ 7,533,000	$ 6,585,557

Annual Required Contribution and Annual OPEB Cost

	FYE 2012	Estimated[1] FYE 2013
A. Annual Required Contribution		
1. Normal Cost	$ 21,027	$ 21,027
2. Amortization of the UAAL	634,137	644,910
3. Interest to end of fiscal year on 1. and 2.	26,207	26,637
4. Annual Required Contribution	$ 681,371	$ 692,574
B. Annual OPEB Cost		
1. Annual Required Contribution (ARC)	$ 681,371	$ 692,574
2. Interest on the Net OPEB Obligation (NOO)	13,029	16,903
3. Adjustment to the ARC (NOO amortization)	(32,620)	(45,028)
4. Annual OPEB Cost (1. + 2. + 3.)	$ 661,780	$ 664,449

(1) FYE 2013 results are estimated using current plan provisions, census data and funding presented in this valuation. Significant change in provisions, census or funding would likely require an updated valuation.

Change in Unfunded Actuarial Accrued Liability

A. Liability (gain) or loss				
1. Expected Actuarial Accrued Liability as of July 1, 2011				
a. AAL as of July 1, 2007			$	7,533,000
b. Normal costs for fiscal years ending 2008 through 2011				92,000
c. Benefit payments for fiscal years ending 2008 through 2011				2,772,000
d. Interest on a., b. and c.				1,343,000
e. Expected AAL as of July 1, 2011 (a. + b. - c. + d.)				6,196,000
2. (Gains)/losses				
a. Due to experience different than expected				
i. Census	$	(339,837)		
ii. Per capita claims costs		N/A		
iii. Premiums		(239,376)		
b. Due to changes in actuarial assumptions				
i. Discount rate		522,889		
ii. Healthcare trend rates		68,847		
iii. Termination, retirement and mortality rates		270,935		
iv. Participation election rates		106,099		
c. Total (gains)/losses				389,557
3. Change in actuarial methods				0
4. Plan amendments				0
5. Actual AAL as of July 1, 2011 (1.e. + 2.c. + 3. + 4.)			$	6,585,557
B. Asset (gain) or loss				
1. Expected asset value as of July 1, 2011				
a. Asset Value as of July 1, 2007			$	0
b. Contributions for fiscal years ending 2008 through 2011				0
c. Benefit payments for fiscal years ending 2008 through 2011				0
d. Interest to July 1, 2011 on a., b. and c.				0
e. Expected asset value as of July 1, 2011 (a. + b. - c. + d.)				0
2. Gain/(loss)				0
3. Actual assets as of July 1, 2011 (1.e. + 2.)			$	0
C. Change in Unfunded Actuarial Accrued Liability (UAAL)				
1. UAAL as of July 1, 2007 (A.1.a. - B.1.a.)			$	7,533,000
2. Expected change in the UAAL				(1,337,000)
3. Expected UAAL as of July 1, 2011 (A.1.e. - B.1.e.)				6,196,000
4. Change in UAAL due to (gains)/losses (A.2.c. - B.2.)				389,557
5. Change in UAAL due to plan amendments				0
6. UAAL as of July 1, 2011 (3. + 4. + 5.)			$	6,585,557

Projected Benefit Payments

(a) Fiscal Year Ending	(b) Retiree Claims and Admin Costs	(c) Retiree Paid Premiums	(d) Employer Paid Premiums Direct Subsidy	(e)=(b)-(c)-(d) Implicit Subsidy
2012	$ N/A	$ N/A	$ 564,920	$ N/A
2013	N/A	N/A	564,077	N/A
2014	N/A	N/A	550,086	N/A
2015	N/A	N/A	540,747	N/A
2016	N/A	N/A	527,826	N/A
2017	N/A	N/A	512,509	N/A
2018	N/A	N/A	495,181	N/A
2019	N/A	N/A	479,705	N/A
2020	N/A	N/A	461,120	N/A
2021	N/A	N/A	436,866	N/A
2022	N/A	N/A	406,443	N/A
2023	N/A	N/A	376,210	N/A
2024	N/A	N/A	355,752	N/A
2025	N/A	N/A	333,040	N/A
2026	N/A	N/A	313,268	N/A
2027	N/A	N/A	293,897	N/A
2028	N/A	N/A	274,028	N/A
2029	N/A	N/A	255,150	N/A
2030	N/A	N/A	237,327	N/A
2031	N/A	N/A	219,004	N/A
2032	N/A	N/A	201,106	N/A
2033	N/A	N/A	184,477	N/A
2034	N/A	N/A	168,412	N/A
2035	N/A	N/A	152,933	N/A
2036	N/A	N/A	138,001	N/A
2037	N/A	N/A	123,748	N/A
2038	N/A	N/A	110,241	N/A
2039	N/A	N/A	97,570	N/A
2040	N/A	N/A	85,809	N/A
2041	N/A	N/A	74,948	N/A
2042	N/A	N/A	65,023	N/A

Note: The projections are based on current participants and do not include any future entrants (closed group projections).

SAN LEANDRO UNIFIED SCHOOL DISTRICT

July 1, 2011 Actuarial Valuation of Other Postemployment Benefits (OPEB)

Notes to Financial Statements

		FYE 2012		Estimated[1] FYE 2013
A. Net OPEB Obligation (NOO)				
1. Annual Required Contribution	$	681,371	$	692,574
2. Interest on NOO		13,029		16,903
3. Adjustment to ARC		(32,620)		(45,028)
4. Annual OPEB Cost		661,780		664,449
5. Annual Employer contributions[2]				
a. OPEB trust		N/A		N/A
b. Implicit subsidy benefits		N/A		N/A
c. Direct subsidy benefits		564,920		564,077
d. Total		564,920		564,077
6. Increase (decrease) in NOO (4. - 5.d.)		96,860		100,372
7. Net OPEB Obligation at beginning of fiscal year		325,726		422,586
8. Net OPEB Obligation at end of fiscal year	$	422,586	$	522,958

B. Schedule of Employer Contributions

Fiscal Year Ending		Annual OPEB Cost		Annual Employer Contributions[2]	% of Annual OPEB Cost Contributed		Net OPEB Obligation
2012	$	661,780	$	564,920	85.4%	$	422,586
2013		664,449		564,077	84.9%		522,958

Required Supplementary Information

(a) Actuarial Valuation Date		(b) Actuarial Value of Assets		(c) Actuarial Accrued Liability		(d)=(c)-(b) Unfunded Actuarial Accrued Liability	(e)=(b)/(c) Funded Ratio		(f) Covered Payroll	(g)=(d)/(f) UAAL as a % of Payroll
7/1/2011	$	0	$	6,585,557	$	6,585,557	0.0%	$	51,062,142	12.9%

(1) FYE 2013 results are estimated using current plan provisions, census data and funding presented in this valuation. Significant changes in provisions, census or funding would likely require an updated valuation.

(2) These amounts are estimated employer contributions. Financial statements should use actual employer contributions which will change the Net OPEB Obligation and subsequent calculations of Interest on NOO and Adjustments to ARC.

Historical Financial Statement Disclosure Information

A. Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Annual Employer Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	$ N/A	$ N/A	N/A	$ 0
2009	826,000	608,321	73.6%	217,679
2010	836,884	673,730	80.5%	380,833
2011	806,418	861,525	106.8%	325,726

B. Funded Status

(a) Actuarial Valuation Date	(b) Actuarial Value of Assets	(c) Actuarial Accrued Liability	(d)=(c)-(b) Unfunded Actuarial Accrued Liability	(e)=(b)/(c) Funded Ratio	(f) Covered Payroll	(g)=(d)/(f) UAAL as a % of Payroll
7/1/2007	$ 0	$ 7,533,000	$ 7,533,000	0.0%	$ 47,500,000	15.9%
7/1/2011	$ 0	$ 6,585,557	$ 6,585,557	0.0%	$ 51,062,142	12.9%

Summary of Plan Participants

This section presents the demographic information for the active employees and retired participants included in the OPEB valuation. The actuarial valuation was based on July 1, 2011 census data provided by the District. The following exhibits summarize the personnel characteristics of the data used for the valuation.

A. Medical

1. Active employees	Single	Single+1	Family	Total
a. Blue Shield HMO	1	0	1	2
b. Kaiser Permanente	19	6	4	29
c. PERSCare	0	0	0	0
d. PERS Choice	2	0	0	2
e. Total with coverage	22	6	5	33
f. Total without coverage				42
g. Total active employees				75
h. Average age				57.4
i. Average service				24.7
j. Average annual pay				$ N/A

2. Retirees	Single	Single+1	Family	Total
a. Blue Shield HMO				
b. Kaiser Permanente		Not available		
c. PERSCare				
d. PERS Choice				
e. Total with coverage	N/A	N/A	N/A	200
f. Total without coverage				0
g. Total retirees				200
h. Average age with coverage				77.0
i. Average age with coverage - not Medicare eligible				62.3
j. Average age with coverage - Medicare eligible				78.5

Summary of Plan Provisions

A. Health Benefits

Direct Subsidy Eligibility

Participants meeting the following eligibility requirements receive a District direct subsidy of the medical plan premiums as described below:

- Future retirees

Group	Eligibility	Premium Paid by District
California School Employees Association (CSEA)	Age 58 and 10 years of service, hired on or before July 1, 1996	District pays $1,200 annually towards single or family premiums to age 65 plus additional years of coverage beyond 65 for each 5 years of service beyond the minimum 10 years required.
Teamsters / Building Trades Council	Age 58 and 10 years of service, hired on or before January 1, 1997	District pays $1,000 annually towards single or family premiums until age 65.
Management Personnel	Age 55 and 20 years of service or age above 55 and years of service equal 75 (Rule of 75), hired on or before June 15, 1985	District pays "retiree only" premium in effect at retirement for life.
San Leandro Teachers' Association (SLTA)	Age 55 and 20 years of service or age above 55 and years of service equal 75 (Rule of 75), hired on or before June 15, 1985	District pays "retiree only" premium in effect at retirement for life.

- Current retirees

The District premium subsidies for current retirees may vary from those described above based on bargaining agreements in effect at retirement. Actual subsidies for current retirees were provided by the District.

Summary of Plan Provisions (continued)

A. Health Benefits (continued)

Plan Premiums — The following tables show the current monthly medical plan premiums.

Effective January 1, 2011 - December 31, 2011

Plan Name	Basic Rates Single	Single + 1	Family
Blue Shield HMO	$ 675.51	$ 1,351.02	$ 1,756.33
Kaiser Permanente	568.99	1,137.98	1,479.37
PERSCare	893.95	1,787.90	2,324.27
PERS Choice	563.40	1,126.80	1,464.84

Plan Name	Supplement/Managed Medicare Rates Single	Single + 1	Family
Blue Shield HMO	$ 337.88	$ 675.76	$ 1,013.64
Kaiser Permanente	282.30	564.60	846.90
PERSCare	433.66	867.32	1,300.98
PERS Choice	375.88	751.76	1,127.64

Effective January 1, 2012 - December 31, 2012

Plan Name	Basic Rates Single	Single + 1	Family
Blue Shield HMO	$ 711.10	$ 1,422.20	$ 1,848.86
Kaiser Permanente	610.44	1,220.88	1,587.14
PERSCare	1,029.23	2,058.46	2,676.00
PERS Choice	574.15	1,148.30	1,492.79

Plan Name	Supplement/Managed Medicare Rates Single	Single + 1	Family
Blue Shield HMO	$ 337.99	$ 675.98	$ 1,013.97
Kaiser Permanente	277.81	555.62	833.43
PERSCare	432.43	864.86	1,297.29
PERS Choice	383.44	766.88	1,150.32

Summary of Actuarial Assumptions and Methods

A. Changes Since Last Valuation

Discount Rate	The discount rate was changed to 4.00% from 5.00%.
Medical Trend	The assumed medical trend rates were reset to reflect updated health cost increase expectations.
Demographic	Mortality, withdrawal and retirement rates were updated to reflect the most recent June 30, 2010 actuarial valuation reports for CalPERS and CalSTRS pension plans.
Participant Election	The participant election rate for future retirees changed to 100% from 85%.

B. General Information

Valuation Date	July 1, 2011
Census Date	July 1, 2011
Benefits Valued	District direct subsidies for medical coverage were valued.
Implicit Subsidy	Implicit subsidies were not valued based on the opinions of CalPERS' and Van Iwaarden's actuarial staff that the plans available to the District are community rated.
Cost Method	Projected Unit Credit
Amortization Method	Unfunded Actuarial Accrued Liability (UAAL) is amortized as a level dollar amount over 13 years (average expected life of the closed group of retirees and employees potentially eligible for benefits).

C. Economic Assumptions

Discount Rate	4.00%
Investment Return	4.00%
Inflation Rate	3.00%
Trend Rates	Annual increase in medical plan premiums are as follows:

	Medical
Initial year:	10.00%
Ultimate year:	5.00%
Years to ultimate year:	10

Summary of Actuarial Assumptions and Methods (continued)

D. Demographic Assumptions

Withdrawal

- Teachers: Rates are from the June 30, 2010 actuarial valuation report for the CalSTRS pension plan. Sample annual rates of termination based on entry age are as follows:

Males

	Entry Age					
Year	< 25	25-29	30-34	35-39	40-44	45+
0	15.3%	15.3%	15.3%	15.3%	15.3%	18.0%
5	3.9%	3.6%	3.0%	3.0%	3.0%	3.0%
10	2.0%	2.0%	2.0%	2.0%	2.0%	
15	1.1%	1.1%	1.1%	1.1%		
20	0.6%	0.6%	0.6%			
25	0.4%	0.5%				
30	0.3%					

Females

	Entry Age					
Year	< 25	25-29	30-34	35-39	40-44	45+
0	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%
5	5.5%	5.3%	4.5%	3.8%	3.3%	2.5%
10	2.3%	1.8%	1.6%	1.3%	1.3%	
15	1.0%	0.9%	0.9%	0.9%		
20	0.5%	0.5%	0.5%			
25	0.3%	0.4%				
30	0.3%					

Summary of Actuarial Assumptions and Methods (continued)

D. Demographic Assumptions (continued)

Withdrawal

- Non-Teachers

Rates are from the June 30, 2010 actuarial valuation report for the CalPERS pension plan. Sample annual rates of **termination with vested deferred benefits** are as follows:

Years of Service	Entry Age 20	25	30	35	40
5	8.2%	7.3%	6.5%	5.7%	4.8%
6	7.8%	7.0%	6.1%	5.3%	4.4%
7	7.5%	6.6%	5.7%	4.9%	4.0%
8	7.1%	6.2%	5.3%	4.5%	3.6%
9	6.7%	5.8%	4.9%	4.0%	3.2%
10	6.3%	5.4%	4.5%	3.6%	
14	5.6%	4.6%	3.7%	2.7%	
15	5.4%	4.4%	3.4%		
19	4.4%	3.4%	2.4%		
20	4.2%	3.2%			
24	3.2%	2.1%			
25	2.9%				
29	1.7%				
30					

Disability None

Summary of Actuarial Assumptions and Methods (continued)

D. Demographic Assumptions (continued)

Retirement

- Teachers

Rates are from the June 30, 2010 actuarial valuation report for the CalSTRS pension plan. Sample annual rates of retirement are as follows:

	Male		Female	
Age	Under 30 years of service*	30+ years of service	Under 30 years of service*	30+ years of service
50	0.0%	1.5%	0.0%	2.5%
51	0.0%	1.5%	0.0%	2.5%
52	0.0%	1.5%	0.0%	2.5%
53	0.0%	2.0%	0.0%	2.5%
54	0.0%	2.0%	0.0%	3.0%
55	2.7%	8.0%	4.5%	9.0%
56	1.8%	8.0%	3.2%	9.0%
57	1.8%	10.0%	3.2%	11.0%
58	2.7%	14.0%	4.1%	16.0%
59	4.5%	18.0%	5.4%	19.0%
60	6.3%	27.0%	9.0%	31.0%
61	6.3%	43.0%	9.0%	40.0%
62	10.8%	38.0%	10.8%	37.0%
63	11.7%	30.0%	16.2%	35.0%
64	10.8%	30.0%	13.5%	32.0%
65	13.5%	30.0%	14.4%	32.0%
66	10.8%	30.0%	13.5%	32.0%
67	10.8%	30.0%	13.5%	32.0%
68	10.8%	30.0%	13.5%	32.0%
69	10.8%	30.0%	13.5%	32.0%
70	100.0%	100.0%	100.0%	100.0%

*If service is equal to or greater than 25 but less than 28 years, the assumed retirement rates shown above are for members with less than 30 years of service are increased by 50%. For members with 28 but less than 30 years, the assumed retirement rates shown above for members with less than 30 years of service are increased by 11%.

Summary of Actuarial Assumptions and Methods (continued)

D. Demographic Assumptions (continued)

Retirement

- Non-teachers — Rates are from the June 30, 2010 actuarial valuation report for the CalPERS pension plan. Sample annual rates of retirement are as follows:

Attained Age	Years of Service 5	10	15	20	25	30	35
50	0.5%	0.9%	1.3%	1.5%	1.6%	1.8%	2.2%
52	0.6%	1.2%	1.7%	2.0%	2.2%	2.5%	2.9%
54	1.2%	2.4%	3.3%	3.9%	4.4%	4.9%	5.7%
56	2.0%	3.9%	5.5%	6.5%	7.2%	8.1%	9.5%
58	2.5%	5.0%	7.0%	8.3%	9.2%	10.3%	12.1%
30	3.7%	7.3%	10.2%	12.1%	13.4%	15.0%	17.6%
62	7.6%	15.1%	21.2%	25.0%	27.8%	31.1%	36.6%
65	9.1%	18.0%	25.1%	29.7%	33.1%	37.0%	43.5%
70	6.6%	13.1%	18.3%	21.6%	24.1%	27.0%	31.6%
75	5.5%	10.8%	15.1%	17.9%	19.9%	22.3%	26.2%

Mortality

- Teachers — Healthy Pre-retirement: 2007 CalSTRS Retired (-2 years)

  Healthy Post-retirement: 2007 CalSTRS Retired

  Sample rates are shown in the Teachers Rate Tables on page 19.

- Non-Teachers — Healthy Pre-retirement: Non-Industrial Death for males and females used in the June 30, 2010 actuarial valuation report for the CalPERS pension plan.

  Healthy Post-retirement: Healthy Recipients for males and females used in the June 30, 2010 actuarial valuation report for the CalPERS pension plan.

  Sample rates are shown in the Non-teachers Rate Tables on page 19.

Spouse Age

- Actives — N/A
- Retirees — N/A

Summary of Actuarial Assumptions and Methods (continued)

D. Demographic Assumptions (continued)

Teacher Rate Tables

	Active and Future Retiree Mortality Rates[1]		Current Retiree Mortality Rates[2]	
Age	Male	Female	Male	Female
25	0.0316%	0.0188%	N/A	N/A
30	0.0373%	0.0197%	N/A	N/A
35	0.0393%	0.0235%	N/A	N/A
40	0.0631%	0.0394%	N/A	N/A
45	0.0964%	0.0598%	N/A	N/A
50	0.1299%	0.0937%	0.1508%	0.1124%
55	0.1860%	0.1434%	0.2138%	0.1676%
60	0.2916%	0.2207%	0.3624%	0.2717%
65	0.5273%	0.3923%	0.6747%	0.5055%
70	1.0012%	0.7648%	1.2737%	0.9706%
75	1.7871%	1.3445%	2.3840%	1.6742%

Non-Teacher Rate Tables

	Healthy Pre-Retirement[3] Mortality Rates		Healthy Post-Retirement[3] Mortality Rates	
Age	Male	Female	Male	Female
20	0.0190%	0.0090%	N/A	N/A
25	0.0270%	0.0140%	N/A	N/A
30	0.0380%	0.0210%	N/A	N/A
35	0.0540%	0.0310%	N/A	N/A
40	0.0770%	0.0460%	N/A	N/A
45	0.1100%	0.0680%	N/A	N/A
50	0.1560%	0.1020%	0.2390%	0.1250%
55	0.2210%	0.1510%	0.4740%	0.2430%
60	0.3140%	0.2260%	0.7200%	0.4310%
65	0.4470%	0.3360%	1.0690%	0.7750%
70	0.6340%	0.5000%	1.6750%	1.2440%
75	0.9000%	0.7450%	3.0800%	2.0710%

(1) Rates shown are from the 2007 CalSTRS Retired tables setback 2 years.

(2) Rates shown are from the 2007 CalSTRS Retired tables.

(3) Rates shown are taken from the June 30, 2010 actuarial valuation report for the CalPERS pension plan.

Summary of Actuarial Assumptions and Methods (continued)

E. Coverage Election

Future Retirees

- Retiring before 65 — 100% of those eligible for a direct subsidy are assumed to elect coverage at retirement and continue until the direct subsidy ends.

- Retiring after 65 — 100% of those eligible for a direct subsidy are assumed to elect coverage at retirement and continue until the direct subsidy ends.

Current Retirees — 100% of those receiving a direct subsidy are assumed to continue until the direct subsidy ends.

F. Plan Election — Future retirees are assumed to continue in their current medical plans.

G. Dependent Child(ren) — N/A

H. Implicit Subsidy — Consistent with the opinion of the CalPERS actuarial staff, we believe the plans available to the District employees are community rated; thus, age related costs do not need to be computed and the implicit subsidy does not apply.

Accounting Requirements and Valuation Considerations

This section summarizes the applicable accounting requirements for the plan and describes important considerations and methods used to complete the valuation.

Accounting Information under GASB 43 and GASB 45

The Governmental Accounting Standards Board (GASB) finalized Statements No. 43 (GASB 43 for funded OPEB plans) and 45 (GASB 45 for employers) in 2004. The statements' objectives are to establish uniform standards of financial reporting by state and local governmental entities for postemployment benefit plans other than pension benefits (OPEB plans). This includes benefits such as postemployment healthcare benefits, dental insurance and life insurance.

For OPEB plans sponsored by governmental entities, these GASB Statements require certain standards and disclosures of plan and fund information including financial reporting of plan assets, liabilities of plan, changes in net assets, funded status and funding progress of the plan, and contributions to the plan in comparison to the annual required contributions of the employer (ARC).

Valuing Postretirement Health Benefits

Determining the value of future health care benefits is challenged by the fact that assumptions must be made about many future events that are especially hard to predict. Future increases in health care costs are affected by many factors, including:

- OPEB inflation
- Technological advances
- Cost shifting (i.e., increases in private plans' costs in non-managed programs due to uninsured claims, changes in the Medicare payment structure, and increased emphasis on managed care programs)
- Cost leveraging (i.e., erosion of fixed deductibles and out-of-pocket maximums)

OPEB obligations are also heavily influenced by demographic assumptions such as:

- Withdrawal rates (i.e., employees terminating before receiving benefits)
- Retirement rates (i.e., employees retiring at various ages and subsidy levels)
- Mortality rates (i.e., how long employees and spouses will receive benefits)
- Participation (i.e., retirees electing coverage, the percentage married, and elections to contribute for coverage of spouses)

The Summary of Actuarial Assumptions and Methods section outlines the assumptions used in this valuation.

Accounting Requirements and Valuation Considerations (continued)

This section summarizes the applicable accounting requirements for the plan and describes important considerations and methods used to complete the valuation.

Estimating Health Care Costs

In addition to estimating future increases in health care claims costs, it is necessary to develop a starting claims cost value on a per covered individual basis for self-insured plans and even some insured plans.

For insured plans, the premiums represent a blended average cost of both active and retired individuals. Since older, pre-65 retirees generally incur higher claims than younger active employees, GASB requires employers to value retiree liability based on estimated retiree costs rather than premiums. Age-adjusted claims are developed and used to value the OPEB liability.

Impact of Legislative Changes

The legislative and regulatory environment have many implications for OPEB plans. Changes to current rules and implementation of new legislation are difficult to predict but could have a dramatic impact on the value of future plan benefits. These include:

- Changes to government medical programs, such as Medicare, when applicable. Under the Medicare Modernization Act of 2003 (MMA), a new prescription drug program called Medicare Part D was established. GASB requirements state that the determination of the actuarial accrued liabilities, the annual required contribution, and the annual OPEB cost should be done without reduction for Medicare Part D payments.

- Effect of the Patient Protection Affordable Care Act. Many of the Act's provisions and methods of implementation have not yet been clarified or provided. As a result, effectively estimating specific provisions of the Act at this time is not feasible. However, we have considered the relevant provisions of the Act and will reflect any potential impact as guidance is released and plan experience occurs.

Glossary of Selected Terms

This section provides the definitions of applicable terminology in the actuarial valuation, with references to both the Governmental Accounting Standards Nos. 43 (GASB 43) and 45(GASB 45).

Actuarial Cost Method - a procedure for determining the actuarial present value of benefits and for developing an allocation of such value to time periods.

Actuarial Present Value of Benefits - the value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a set of actuarial assumptions.

Actuarial Accrued Liability (AAL) - the portion of the actuarial present value which is not provided for by future normal costs, determined under the actuarial cost method.

Annual OPEB Cost - the OPEB expense recognized in the employer's financial statements.

Annual Required Contribution (ARC) - the basis for the annual OPEB cost shown in the employer's financial statements. This term is misleading: no annual cash contribution is actually required to fund OPEB benefits.

Discount Rate - the interest rate used to adjust liabilities and obligations for the time value of money.

GASB Statement No. 43 - the Governmental Accounting Standards Statement Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

GASB Statement No. 45 - the Governmental Accounting Standards Statement Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Implicit Subsidy or Implicit Rate Subsidy - the difference between the actual and apparent cost of OPEB coverage. The actual cost for early retirees is higher than the average per-person premium for the active/retiree group. Plans in which retirees pay the average active/retiree rate (the apparent cost) give rise to an implicit rate subsidy: the employer pays the difference between the actual and apparent cost.

Net OPEB Obligation (NOO) - the OPEB liability (asset) at transition, if any and the cumulative difference since the effective date of Statement No. 45 between annual OPEB cost and the employer's contributions.

Normal Cost - the portion of the actuarial present value which is allocated to the valuation year by the actuarial cost method.

Valuation Date - the date as of which assets and liabilities are measured in determining the OPEB liability of the plan.